



Calhoun: The NPS Institutional Archive
DSpace Repository

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

1953-05

Budgeting at the Navy field activities

Amos, E.M.

George Washington University ; School of Government, Washington, District of Columbia.

<http://hdl.handle.net/10945/30996>

Downloaded from NPS Archive: Calhoun



Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

<http://www.nps.edu/library>

BUDGETING AT THE NAVY FIELD ACTIVITIES

By

D. M. AMOS
LCDR. SC U.S.N.

Term Paper

For

Navy Comptrollership Course
George Washington University
May, 1953

REPORT ON THE ACTIVITIES

OF

THE
UNITED STATES
NAVY

FOR THE YEAR

1955

NAVY DEPARTMENT

WASHINGTON, D. C.

1956

TABLE OF CONTENTS

Part	Page
I. INTRODUCTION.	1
Navy Field Activities	
Budgeting	
Present Budgeting at Navy Field Activities	
II. BUDGET FORMULATION.	6
Problems	
Limitations	
Alternatives	
III. THE ADVANTAGES OF A FORMAL BUDGET PROGRAM.	14
IV. RESPONSIBILITY FOR BUDGETING.	17
Essentials to Successful Budgeting	
Duties of a Budget Officer	
Budget Organization	
SUMMARY.	23
BIBLIOGRAPHY.	24

TABLE OF CONTENTS

Page	Chapter
1	1. INTRODUCTION
	2. THE STATE OF TEXAS
	3. THE COUNTY OF DALLAS
	4. THE CITY OF DALLAS
	5. THE DISTRICT OF COLUMBIA
	6. THE UNITED STATES OF AMERICA
	7. THE WORLD
	8. THE UNIVERSE
	9. THE GODS
	10. THE DEVILS
	11. THE ANGELS
	12. THE SAINTS
	13. THE SINNERS
	14. THE WISDOM
	15. THE FOLLY
	16. THE LIFE
	17. THE DEATH
	18. THE JUDGMENT
	19. THE HEAVEN
	20. THE HELL
	21. THE PARADISE
	22. THE PURGATORY
	23. THE LIMBO
	24. THE PURGATORY
	25. THE LIMBO
	26. THE PURGATORY
	27. THE LIMBO
	28. THE PURGATORY
	29. THE LIMBO
	30. THE PURGATORY
	31. THE LIMBO
	32. THE PURGATORY
	33. THE LIMBO
	34. THE PURGATORY
	35. THE LIMBO
	36. THE PURGATORY
	37. THE LIMBO
	38. THE PURGATORY
	39. THE LIMBO
	40. THE PURGATORY
	41. THE LIMBO
	42. THE PURGATORY
	43. THE LIMBO
	44. THE PURGATORY
	45. THE LIMBO
	46. THE PURGATORY
	47. THE LIMBO
	48. THE PURGATORY
	49. THE LIMBO
	50. THE PURGATORY
	51. THE LIMBO
	52. THE PURGATORY
	53. THE LIMBO
	54. THE PURGATORY
	55. THE LIMBO
	56. THE PURGATORY
	57. THE LIMBO
	58. THE PURGATORY
	59. THE LIMBO
	60. THE PURGATORY
	61. THE LIMBO
	62. THE PURGATORY
	63. THE LIMBO
	64. THE PURGATORY
	65. THE LIMBO
	66. THE PURGATORY
	67. THE LIMBO
	68. THE PURGATORY
	69. THE LIMBO
	70. THE PURGATORY
	71. THE LIMBO
	72. THE PURGATORY
	73. THE LIMBO
	74. THE PURGATORY
	75. THE LIMBO
	76. THE PURGATORY
	77. THE LIMBO
	78. THE PURGATORY
	79. THE LIMBO
	80. THE PURGATORY
	81. THE LIMBO
	82. THE PURGATORY
	83. THE LIMBO
	84. THE PURGATORY
	85. THE LIMBO
	86. THE PURGATORY
	87. THE LIMBO
	88. THE PURGATORY
	89. THE LIMBO
	90. THE PURGATORY
	91. THE LIMBO
	92. THE PURGATORY
	93. THE LIMBO
	94. THE PURGATORY
	95. THE LIMBO
	96. THE PURGATORY
	97. THE LIMBO
	98. THE PURGATORY
	99. THE LIMBO
	100. THE PURGATORY

PART I

INTRODUCTION

Navy Field Activities

The Department of the Navy, alternatively referred to as the Naval Establishment, organizationally consists of three principal parts: the Operating Forces, Navy Department, and Shore Establishments. The Shore Establishment comprises the field activities of the bureaus and offices of the Navy Department. The Navy Field Activities, including over three hundred major installations, are Air Stations, Ordnance Plants, Ship-yards, Depots and other stations. Collectively these activities are commonly referred to as the "Field Level", individually as a "Station", "Activity", or "Installation".

The Navy Field Activities employ over ninety-five percent of the civilian personnel working for the Navy within the continental United States. It is through the field activities that a major portion of the Navy's share of the defense collar passes.

The purpose of this paper is to bring out the problems and advantages of budgeting at the Navy Field Level.

INTRODUCTION

Navy Field Activities

The Department of the Navy, administratively referred to as the Naval Establishment, organizationally consists of three principal parts: the Operating Force, Navy Department, and shore establishments. The shore establishment comprises the field activities of the various and offices of the Navy Department. The Navy Field Activities, including over three hundred major installations, are Air Stations, Ordnance Plants, Supply, Depot and other stations. Collectively these activities are commonly referred to as the "Field Level", individually as a "Station", "Activity", or "Installation".

The Navy Field Activities employ over ninety-five percent of the civilian personnel working for the Navy within the continental United States. It is through the Field Activities that a major portion of the Navy's share of the defense dollar passes.

The purpose of this report is to bring out the problems and advantages of production in the Navy Field Level.

The Navy Department , as the executive part of the Naval Establishment, has issued instructions to, set up procedure for, and demanded reports from field activities, to provided budget data required at the departmental level; but has issued practically no instructions, other than limitations, for detailed budgeting by the individual field activities. While each activity may have individual peculiarities and systems, most budget problems follow a similar pattern and are common to all. In fact, little difference is noted in budget principles at the departmental, bureau, or field level. Even though some may think that the control exercised over the field by the department precludes spending time and money for budgeting by the activity, the advantages to be gained still warrant more emphasis on the function of budgeting at the average navy field activity.

Budgeting

Budgeting is a form of planning, and the two cannot be divorced from each other. The challenge presented to defense installations of maintaining equilibrium between periods of building up to cutting

The Navy Department, as the executive part of the Navy establishment, has issued instructions to set up procedures for and required reports from field activities, to provide uniform data reports at the department level; but has issued practically no instructions, other than limitations, on detailed activity by the individual field activities. While such activity may have individual responsibility and interest, most budget problems follow a similar pattern and are common to all. In fact, little attention is noted in budget principles at the departmental, bureau or field level. Even though some may think that the control exercised over the field by the department provides enough information and room for budgeting by the activity, the advantages to be gained will be minimal. Some emphasis on the transfer of budgeting to the activity may have field activity.

Subsidiary

Budgeting is a form of planning, and the two cannot be divorced from each other. The relationship presented in these illustrations of relationship will illustrate between periods of planning up to quarter

back, as dictated by public opinion of the need for defense, requires intelligent planning to reduce waste of time and material. One of the most important tools for the direction and control of intelligent planning is "formal budgeting". Every organization must do a certain amount of planning and looking forward, but such work is apt to be irregular and ineffectual unless reduced to a definite orderly procedure. Reducing plans to a definite orderly procedure in terms of dollars, putting the plans in print in a permanent file, and setting up organizational duties for keeping the plans current is "formal budgeting".

Little can be gained by discussing the terminology of budgeting. In view of the commonly accepted definition of budget, when applied to government, the term "formal budgeting" is preferred. Too many people think of a government budget as a mere statement of allocations or income, and expenditures for a set period of time, usually one year. This process will normally take place whether planned and wisely controlled or just allowed to run its course. When the personnel are not satisfied to just muddle through, but plan ahead, make a formal record of plans, develop related statistics, keep the dollar mark in view while planning, and establish for future

best, we should be able to find out for
 ourselves, by direct observation, the nature of the
 of time and material. One of the most important tools
 for the discovery and control of individual differences
 is "logical analysis". Every organization must be a
 certain amount of planning and looking forward, but
 much more is up to us. It is a regular and intelligent analysis
 required to a definite order. It is a regular and intelligent
 to a definite order. It is a regular and intelligent
 putting the plan to work in a permanent way, and
 setting up organizational units for carrying the plan
 forward is "logical analysis".

Little can be gained by discussing the definition
 of planning. In view of the commonly accepted definition
 of budget, when applied to planning, the term "budget"
 "budgeting" is preferred. Too many people think of a
 government budget as a mere statement of allocation of
 income, and expenditures for a set period of time, usually
 one year. This process will naturally take place whether
 planned and strictly controlled or just allowed to run
 its course. When the personnel are not restricted to
 just a single number, but plan ahead, make a formal record
 of plans, develop related statistics, keep the record
 and in view while planning, and establish the future

use of self or others files of related plans, programs, past experience factors, guides for determining and building future plans--then we have "formal budgeting".

The distinction between budgeting and budgetary control drawn by MacDonald is worthy of note, although it is my opinion that the term "formal budgeting" embraces the principles advocated for budgetary control.

In a definition of the word "budget", it is important that a clear distinction be made between budgeting and budgetary control. By itself, a budget after all is merely a collection of figures or estimates which indicate the future in accounting terms. Budgetary control on the other hand involves careful planning and control of all functions of the enterprise. Budgetary control assumes a genuine desire on the part of the entire organization from the president to the office boy, to keep as close to the previously chartered course as possible, to accept responsibility for doing so, to check actual performance against the plans, and in every other respect to use the budget as a real road map to reach the previously established goal. Real budgetary control, in a word, is a point of view, not merely a collection of figures."¹

The fundamental purpose of budgeting is to find the most profitable course through which the objectives of the activity may be realized and hold to that course.

1

John H. MacDonald, Practical Budget Procedure, (New York; Prentice-Hall, Inc., 1946), p. 2.

use of well or obscure lines of related ideas, or groups,
 and experiments (Lewin, 1938) for self-organizing and
 building better ideas--then we have "forced" thinking.
 The distinction between building and building
 control ideas by ourselves is a matter of degree, although
 it is an opinion that the latter is more
 important and therefore more necessary to society.

In a definition of the word "budget", it is
 important that a clear distinction be made between
 budgeting and budgeting control. By itself, a
 budget is only a collection of figures
 or statistics which indicate the future in account-
 ing terms. Budgetary control on the other hand
 involves control of activities and control of all
 functions of the enterprise. Budgetary control
 means a genuine desire on the part of the enterprise
 organization from the president to the office boy,
 to have as close to the previously budgeted costs
 as possible, to accept responsibility for doing so,
 to understand performance against the plan, and
 in every other respect to use the budget as a real
 yard stick to measure the previously established goal.
 That budgetary control, in a word, is a point of
 view, not merely a collection of figures.

The fundamental purpose of budgeting is to find
 the most profitable course through which the enterprise
 of the activity can be carried out and held to that course.

I
 John R. Lewin, Practical Budget Procedures,
 (New York: Van Nostrand, Inc., 1938), p. 2.

Present Budgeting at Navy Field Activities

In using a vague term such as "field activities" one has the advantage of not having to justify his remarks in relation to a single activity and likewise he cannot cite a single activity as authority for proving a statement referring to the whole. Such may be said to be the status of what is known of the present status of budgeting at the field level. A formal survey would produce stereotyped replies. A truer picture is found on the informal side from actual observation, contact with different activities and information from other observers. If one is able to penetrate the immunity of "having complied with directives", he will find the average basis of budgeting, past year allocation (expenditures not yet known), adherence to pressure groups, arbitrary distributions, lack of a sound basis usually blamed on changes in workload and prices, and special whims of predecessors. Seldom do we find an orderly chart reflecting previously discovered reefs, current guides on which to continue the course, log book of events, machinery history relating to work rather than appropriations or allotments.

Present Situation of Wave Field Activities

In view of the fact that "field activities"

and the advantages of not having to travel his
 results in relation to a single activity and likewise
 he cannot give a single activity as satisfactory for
 provide a statement relating to the whole. Such
 may be said to be the status of what is known of the
 present status of development in this field. A formal
 survey would produce a mixed result. A survey which
 is based on the informal side from casual observation,
 contact with different activities and information from
 other observers. It is said to be somewhat like
 immunity of "having completed with activities", as will
 find the various basis of collection, and may also be
 (conclusion and the known), evidence to observe
 groups, activity distinctions, and of a common basis
 usually placed on changes in methods and those, and
 special status of propagators. Hence we find an
 orderly and collected activity in discovered results,
 present basis on which to maintain the course, the book
 of events, including already relating to with regard to
 applications of all kinds.

PART II

BUDGET FORMULATION

Problems

The fundamental problem in budget formulation at naval activities is that funds are not generated by the activity, but received from other sources by allocation. Allocations with strings attached, directions on use, reports to be made make local planning seem impossible. It is no surprise that most activities make plans to expend the funds rather than following the desired goal of budgeting which is to fit the funds made available to the plans which should already be formulated for how best to achieve the mission and assigned purposes. The first problem is getting the cart behind the horse. It is futile to argue that knowledge of the funds to be received must be known before planning can be undertaken. Past experience as to when Congress will make funds available dictate that planning begin far in advance of the receipt of funds.

Planning is extensive. Time purchased at high rates is consumed. Planning, to be worthwhile, must be performed by top personnel, aware of the facts

controlling the course of the activity. To be meaningful the plans must be recorded and correlated to statistical data; this means files, surveys and reports.

The status of progress on the accomplishment of plans must be known periodically to correlate the various efforts and assure that the essential "bread and butter" will run out even. This necessitates a distinct reporting system. The chart of accounts and reports prescribed from the departmental level are designed to generate information of value only to the department. This consolidated information does not reflect local department and functional expenses required for local budget purposes. To be meaningful funds should be allocated along the same lines as responsibility for carrying out the plans is delegated.

The basic problems indicate that worthwhile financial planning is not simple. The question arises as to whether the expense is warranted. Does the limited discretion in the use of funds allowed the local administrators prohibit the use of budgeting principles? The size of the defense budget speaks for itself. Acknowledging that a major portion of the funds are for bureau procurement, a sufficient

balance is left to well warrant ample expenditures for budgeting. Too much blame has been placed on leaks in the pipelines between the bureau and the field activities. Not enough acknowledgment is made by the field that from the humble figures of the small activity departments, snowballing to the bureau, high estimates develop.

Regardless of the transactions involved, the final budget problem is how to allocate not enough funds between requests for too much. Who shall be cut? What shall be omitted? Formal budgeting is the most satisfactory tool to aid in solving these problems.

Limitations

To curb the usual objections made by critics when advantages of budgeting are discussed, it is well to define the framework within which budgeting is forced to operate by recognizing the following limitations:

Stability. No two fiscal periods are alike. The workload this year is not comparable to a previous period. The previous plans for expansion must now be changed for a standby status. One thing certain in government is change. We must accept it. Daily

...the... of the... the...
...the... is not...
...the... for the... and...
...the... the...
...the... the...
...the... to all in solving these problems.

to take the interest which was being in-
ferred to operate by controlling the roll wing in the
when subjected to bending and twisting, it is well
to take the usual precautions with by which

government is changed, we must accept it, but
be changed for a similar reason. The thing certain is
proved. The previous plan for revision was now
The nation's job was not acceptable to a previous
Stability. At the time of the war.

dissemination of information now makes the crystal ball at the field activity nearly as clear as the crystal ball at the bureau. Formal budgeting should provide factual data, allowing changes on a sound basis rather than by guess.

Labor Ceilings. From sixty to eighty percent of field activity funds are spent for labor. The labor ceiling is set by authority outside of the field activity. When production workload is curtailed trained personnel must be retained, or the potential value of the activity as a defense installation is lost. This leaves only a small portion on the funds, the use of which is open to decision.

Pay Rate. No local control can be exercised over the rates of pay. When Congress provides a per annum pay increase, it must be met. Likewise the activity has little choice when conditions demand a local wage survey for per diem employees.

Workload. There is no local control over the workload. Administrative cost will vary with the workload.

Functions which must be supported but no local control over the volume. Many such functions exist.

dissemination of information and hence the effects
 will be the first activity which is clear as the
 original will be the source. Formal processing should
 provide formal data, either through a system
 basis rather than by means.

Input activities. From early to early activity

of this activity range are spent for labor. The
 labor output is set by activity output of the labor
 activity. Then production method is considered for
 personnel most be trained, of the potential value of
 the activity as a whole investment in labor. This
 leaves only a small portion of the output, the rest of
 which is used for training.

Key input. No local control can be exercised

over the input side. When control is needed a key
 input may be used, it must be met. Also the activity
 has little choice when decisions demand a local key
 input for the input side.

Workload. There is no local control over the

workload. Administrative cost will vary with the
 workload.

Production time must be measured but no local

control over the output. Many such production activities

A current example is movement of household effects of military personnel. Local hauling and crating must be financed by local funds, yet no local control exists as to the volume of work.

Material Prices. Procurement regulations remove local control over the price to be paid for many items of material. In some cases the price of the item is not known for several months.

Changes in Financial Support. Functions formerly financed by other funds shift to local funds. Often the first notice of this is receipt of changes.

Chart of Accounts. This is prescribed by higher authority and does not produce information adaptable for local budget purposes.

Support Furnished Other Activities. Logistic support for staffs, outlying fields, auxiliary stations; carrying out surplus disposal programs, safety programs, various drives; all contribute to the cost of operation without producing funds. Such items as the above constitute a growing headache for the budget official.

Local Resistance. Resistance to budgeting is offered sometimes by key personnel and often by major department heads in the form of excuses why needed

A current estimate is movement of household income
of military personnel. Local banking and credit must
be financed by local funds, but no local control exists
as to the volume of work.

Material prices. Government requisitions remove
local control over the price to be paid for many items
of material. In some cases the price of the item is
not known for several months.

Changes in financial matters. Functions formerly
financed by other funds shift to local funds. When
the first portion of this is receipt of changes.

Cost of accounts. This is increased by almost
materially and does not produce information adequate
for local budget purposes.

Support withdrawn from activities. Expenditures
support for health, civilizing efforts, military activities;
creation and maintenance of local projects, subject to review,
various drives; all contribute to the cost of operation
without producing funds. When funds are the only source
for a growing demand for the budget deficit.

Local resistance. Resistance to reduction in
offered sometimes by any personnel and often by senior
management needs. In the time of economic war needs

information is not available; refusing to use initiative and imagination in making forecasts; fault finding rather than constructive suggestions; placing undue emphasis on contingent items beyond local control; involved in previous assignments of high priority when budget facts are requested, and refusing to acknowledge that local control can be exercised over funds granted by the bureau for special projects.

A little human relations and a lot of ear work will uncover many of the reasons for local resistance. Resistance may stem from jealousy between department heads over the allocation of funds. The personnel of some departments have developed the attitude that their department is their own private domain, their methods of operating are above reproach and they resist any plan of laying bare trade secrets. Budgets have so often been used as whipping posts that the motto, "Never volunteer" is followed too strictly. The man in complete agreement with the need and advantage of a formal budget program often fears that once established, the budget program will be given to a competitor for supervising the execution.

These limitations, each comparatively minor and under military administration supposedly easy to dispose

information is not available; refusing to be interviewed and information is being furnished; limits limiting rather than cooperative suggestions; placing blame on someone or someone's ideas; being afraid of involvement in previous assignments of high officials when changes have to be made, and refusing to acknowledge that local control can be exercised over local projects by the Bureau for Social Projects.

Efficient administration is not a part of our work will involve many of the reasons for local resistance. Resistance may arise from jealousy between departments needs over the allocation of funds. The personnel of some departments have developed an attitude that their department is their own private domain, their sphere of operation and have refused to be tested by the idea of being part of a larger unit. Others have no other than the shipping costs and the money. Never volunteer, is followed too easily. The can in companies agreement with the cost and advantage of a small budget program often leads to one method, the budget program will be given to a supervisor for approval the execution.

These limitations, each comparatively minor and under military administration sufficiently soon to dispose

of, are the thorns in the side which determine if a formal budget program will function. All of the would-be cures and solutions for handling local resistance may be summed up in--patience and good faith. In dealing with figures and plans the factors contributing to local resistance are too often neglected. It would be advisable to start building up good faith and confidence prior to undertaking a formal budget program.

Alternatives

The most evident phase of formulation of a field activity budget is the division of the funds allocated to the station among the different purposes for which funds are required so as to achieve the greatest return for the station. There is never enough money for all requests. The alternative of neglecting one project to provide for another is hard to avoid. Shall we cut down on the security personnel in order to maintain the fire fighting equipment? Will we forego replacing the rolling stock and pay higher maintenance? Annual repair cost of office equipment will soon pay for replacement,;can we make the original outlay? Should we maintain a few buildings in good

condition or spread the maintenance money with all buildings being maintained poorly?

Intelligent judgment on the part of the budget officials in selecting the alternative determines the efficiency and effectiveness of the activity. The budget officials will have to develop methods for selecting the alternative which will bring the greatest utility of return. More important still, the decision of "which alternative" should rest with the budget officials, having the interest of the activity, rather than in the form of excess funds in one department, permitting a department head to exercise a selfish interest at the expense of the station.

condition of the system the relationship with the

system will be maintained.

STANDARD FORM NO. 64-0000000000000000

the religious and effectiveness of the activity. The

Approved for Release by NSA on 09-08-2013 pursuant to E.O. 13526

U.S. Dept. of Justice, Office of the Inspector General, Washington, D.C. 20535

-1- "vector file diff" to

PART III

THE ADVANTAGES OF A FORMAL BUDGET PROGRAM

In discussing budgeting from the advantages to be gained from a formal budget program, one must also consider the possible informal objectives which might be adopted, depending on the individual needs of an activity. The informal objectives adopted will, to a large extent, influence the basic budget organization. The motivating factor for revising an existing procedure or replacing present equipment is the advantage to be gained. To establish this criterion one must know the advantages available.

The following, while not intended to be complete, point out a few of the advantages available to any activity:

Mission. As a prelude to planning the mission must be clarified and defined. Budgeting, being a continuous program, will force us to define the mission and keep it up to date.

Planning. Budgeting and planning are very closely correlated and at times it is hard to distinguish between the two. In adopting as a definition for budgeting--"financial planning", we must avoid creating

THE ADVANTAGES OF A FORMAL MISSION PROGRAM

In planning the mission program, the advantages to be gained from a formal program, and how also to consider the possible informal objectives which might be achieved, depending on the individual members of the activity. The informal objectives should be, in a large degree, similar to the basic mission statement. The objective factor for revising an existing program of revising the present program in the advantages to be gained. To establish this criterion one must know the advantages available.

The following, while not intended to be complete, point out a few of the advantages available in any activity:

Mission. As a means of planning the mission, it is clarified and defined. Mission, being a continuous process, will force the mission and keep it up to date.

Planning. Planning and planning are very close. It is recognized and at times it is hard to distinguish between the two. In adopting a definition for planning--"rational planning", we must avoid mistaking

under the guise of budgeting, a separate planning group, and require that the present planners keep the dollar mark in view in their undertakings. Formal budgeting forces centralization and coordination of planning. Centralization and coordination of planning is a definite advantage requiring plans to be published, and maintained in a central file, rather than distributed through departmental files and in the minds of men rotating periodically.

Prevent Overexpenditure of Funds. This is self explanatory. Recent regulation, providing stronger penalties for overexpenditure, make mandatory stringent controls. Establishing a rate of expenditure and reserves for planned future requirements through budget planning is the best solution.

Morale Factor. A proper budget procedure, with full participation of department heads and personnel handling the financial matters within the department in preparation of the activity budget program will coordinate and correlate effort. Knowledge of the basis for distribution of the funds will dispell fear of favoritism. A continuing budget program will establish factors for relating funds to the work to be performed; providing a

planned system for distribution of funds rather than an arbitrary guess.

Statistical Information. Formal budgeting requires gathering, compiling in a useful form, maintaining in a central convenient file and keeping current, statistical information which relates to financial expenditures, or has proven useful in the budget planning. This would not create additional workload, but offers a stabilized program to replace the furor experienced periodically, when statistical information is required on short notice. This provides a ready answer to questions by visitors and often avoids embarrassment during inspection.

please agree to the terms of the following:

on the other hand.

General Information. Local Committee

is also required, usually in a letter to the local committee.

There is a local committee in each of the following:

General information which relates to financial

statements, of the various kinds in the various branches.

This would not be a general statement, but only

a general statement to replace the local committee

periodically, and the local committee is required

on each letter. This provides a ready answer to

questions of value and often avoids the necessity

of long discussions.

PART IV

RESPONSIBILITY FOR BUDGETING

Essentials to Successful Budgeting

Traditionally the commanding officer of a Navy activity is responsible foremost and last for the operation of the establishment and accounting for its shortcomings. Writers on the subject of budgeting are in close accord as to what they consider essentials to successful budgeting. In reviewing these considerations it is noted that the required essentials point out where responsibility for different phases of successful budgeting should rest.

Heckert gives five conditions essential to successful budgeting, which may be summarized as follows:

1. Satisfactory organization.
2. Satisfactory accounting.
3. Research. Records of past performance are not enough. It must be known not only what has been attempted and with what results, but also what may be done and with what probable results.
4. Definite responsibility for the budgeting procedure. Usually the chief accounting officer is the logical person to assume this responsibility.
5. Support of chief executive. No effective budgeting can be accomplished without the full support of the chief executive. The procedural part of the task can be delegated to the controller, or a committee, but the final executive force which

1
J. Brooks Heckert, Business Budgeting and Control, (Ronald Press Co., N.Y.) 1946, p. 14-15.

RESPONSIBILITY FOR THE ACTION

THE RESPONSIBILITY FOR THE ACTION

The following are the main points of a study

activity in the field of the study for the

operation of the study and the results of the

operation. It is the study of the study and the

is the study of the study and the results of the

is the study of the study and the results of the

is the study of the study and the results of the

is the study of the study and the results of the

is the study of the study and the results of the

is the study of the study and the results of the

is the study of the study and the results of the

is the study of the study and the results of the

1. The study of the study and the results of the
2. The study of the study and the results of the
3. The study of the study and the results of the
4. The study of the study and the results of the
5. The study of the study and the results of the
6. The study of the study and the results of the
7. The study of the study and the results of the
8. The study of the study and the results of the
9. The study of the study and the results of the
10. The study of the study and the results of the

Control, (Herald Press Co., N.Y.) 1940, p. 1-15.

is necessary to motivate the action must come from the chief executive.

Bruer and Lazarus limit their list of important essentials of successful budgetary control to the following three:

1. Have the budget follow the organization line and the organization line meet the requirements of budget accountability.
2. Keep the procedure as simple as possible.
3. Provide for frequent comparisons of estimates with results.³

MacDonald sums up the essentials most applicable to the Navy in his requisites to successful budgeting which are:

1. Well defined lines of authority.
2. Department heads who will assume responsibility without quibbling.
3. Close cooperation among all departments.
4. A well planned accounting system.
5. A budget director with a good working knowledge of conditions and who has both tact and ingenuity.
6. A management which is sold completely on the idea and is willing to play the game.⁴

³ Henry Bruere and Arthur Lazarus, Applied Budgeting (New York; McGraw Hill Book Co., 1926), p. 11

⁴ John H. MacDonald, Practical Budget Procedure, (New York; Prentice-Hall Inc., 1946), p. 4.

is necessary to motivate the action and then
 time and energy.

These and others - their basic list of important

aspects of successful action is useful to the

following factors:

1. Have the leaders followed the organization
- line and the organization line must be re-exa-
- mined of major importance.
2. Keep the program as simple as possible.
3. Provide for frequent comparison of progress
- with results.

Additional work up the essential work available

to the staff in the organization to successful objectives

which are:

1. Well defined lines of authority.
2. Department heads who will ensure responsibility
- without kidding.
3. Close cooperation among all departments.
4. A well planned accounting system.
5. A subject director with a good working knowledge
- of conditions and who has been seen and interested.
6. A management which is not too busy to see
- ideas and is willing to play the game.

3
 Henry Gurney and others (London, 1954)
Education (New York; Gurney Bill Book Co., 1954), p. 13

4
 John W. Gurney, Practical School Management
 (New York; Gurney-Bill Inc., 1946), p. 2.

Duties of a Budget Officer

Regardless of organization or procedures used, some individual must have as primary duty responsibility for the performance of budget work. Whether he is called budget officer, recorder, controller or some other title is not important. If he performs his duties as an impartial service rendered to the departments he will be recognized; if not, no title will give him the confidence and cooperation required of the individuals with whom he must work.

The following duties, which Sinclair states are usually assigned to the individual directly in charge of budget control are suggested as a guide for Navy use:

Duties of the budget officer---Regardless of his exact title and the person to whom he reports, the duties of the individual directly in charge of budget control are usually as follows:

1. To receive from department heads periodic estimates.
2. To transmit these estimates with such recommendations as he may deem necessary. He may combine and summarize these estimates so that they may be submitted in the most useful form.
3. To supply those who finally approve the budget with all the available information which will assist them in considering the estimates.
4. To receive the estimates as approved and transmit them to the departmental heads.
5. To receive periodic reports prepared by

Policy of a United Officer

Responsibility of a United Officer is primarily to the public, and not to the individual. It is his duty to see that the public interest is served, and that the individual is treated fairly. He should not be swayed by the wishes of the individual, but should act in accordance with the principles of justice and equity. He should be fair to all, and should not show favoritism. He should be honest and straightforward in his dealings with the public. He should be able to stand up for his principles, and should not be afraid to make decisions that are unpopular. He should be able to handle criticism gracefully, and should not take it personally. He should be able to work with others, and should be able to get the best out of them. He should be able to handle pressure, and should not be easily discouraged. He should be able to handle conflict, and should not be afraid to stand up to his superiors. He should be able to handle change, and should not be afraid to try new things. He should be able to handle stress, and should not be easily overwhelmed. He should be able to handle adversity, and should not be easily defeated. He should be able to handle success, and should not be easily corrupted. He should be able to handle everything, and should not be easily shaken.

The following are the principles which should guide a United Officer in his work:

They are:

1. To serve the public interest, and not the individual interest.

2. To be fair to all, and not to show favoritism.

3. To be honest and straightforward in his dealings with the public.

4. To be able to stand up for his principles, and not to be easily swayed by the wishes of the individual.

5. To be able to handle criticism gracefully, and not to take it personally.

the operating departments or the accounting department, showing the performance of each department during the budget period.

6. To transmit periodic reports to the management showing a comparison between actual and estimated performance for each department and to make recommendations with reference to revisions which he deems necessary.

7. To transmit to the departmental heads any revisions of the original estimates which may be made.

8. To recommend any changes in the budget procedures which he may believe necessary.⁵

Budget Organization

Throughout this discussion I have emphasized the relation of planning to budgeting and full participation in budgeting by not only the department heads, but also one level below--the budget worker of the department. In developing a budget organization a means should be provided for accomplishing these fundamentals.

One activity has accomplished the above principles through the use of a budget committee. The budget committee is primarily a fact finding body, with its only authority being to make recommendations to the planning officials of the activity. Decisions on the recommendations are made by the commanding officer with the planning officials. The budget committee headed by the budget official is composed of budget representatives

The operating demands of the accounting department, however, the importance of which has been stated during the budget period.

6. To provide periodic reports to the management showing a comparison of actual and budgeted performance for each department and to make recommendations with reference to revenues which are being received.

7. To provide to the department heads and divisions of the original estimates which may be made.

8. The Commission was advised in the budget estimates which are being received.

Budget Organization

Throughout this discussion I have mentioned the relation of planning to budgeting and will mention the relation in budgeting by not only the department heads, but also the level below--the budget worker of the department. In developing a budget organization a series should be provided for accomplishment these responsibilities.

The budgeting and accounting are above principles through the use of a budget committee. The budget committee is primarily a line liaison body, with the only authority being to make recommendations to the planning officials of the activity. Relations of the recommendations are made by the managing officer with the planning officials. The budget committee is composed of the budget official is composed of budget representatives

from each department. The department budget representative is usually the individual responsible for keeping tab on the department funds and has first hand information of the financial status and requirements of the department. If someone other than the budget official is responsible for maintaining the financial records of the activity, he should be a member of the committee. All requests for funds are submitted to the budget committee. Proposed distribution for funds allocated to the activity should be made by the budget committee.

In addition to the usual advantages gained through committee participation, the budget committee offers the following: (1) provides faster action on requests in that the committee on a working level has first hand information from which to make recommendations with minimum research (2) promotes understanding through knowledge of the problems of other departments (3) assures cooperation in the budget execution since the men who will have to carry out the budget participated in the formulation.

The disadvantages inherent in committee work are overcome by use of the budget official. The budget

from each Government. The Government should be
 responsible for the financial responsibility
 for meeting the cost of the Government and the
 land in operation of the financial system and the
 costs of the Government. It is more than the
 budget system is responsible for maintaining the
 financial system of the country. It should be a
 member of the committee. All requests for funds are
 submitted to the budget committee. The budget committee
 for funds allocated to the activity should be
 made by the budget committee.

In addition to the usual advantages gained
 through Committee participation, the budget committee
 offers the following: (1) provides better action on
 requests in that the committee as a working level has
 first hand information from which to make recommendations
 along with minimum research; (2) promotes understanding
 through knowledge of the problems of other departments
 (3) answers requested in the budget committee in the
 time and will have to make out the budget committee
 passed to the Government.

The disadvantages inherent in committee work
 are overcome by use of the budget committee. The budget

official has dual responsibility. He is head of the budget committee and a member of the planning group. In this dual capacity, the budget official can make a well informed presentation of facts and recommendations to the planning group and can pass back down to the budget committee the action and policies of the planning group.

The planning group, whether a board, committee, or otherwise, should consist of the major officials of the activity and the commanding officer. The planning group, by retaining authority for approval of funds, is in a position to relate finances with planning, without the burden of detail work.

This budget organization is recommended as one which will help the activity secure the advantages resulting from budgeting, remove management from a third party relationship with funds from the bureau to the working level, and allow the commanding officer flexibility in deciding the control to retain over funds.

official has full responsibility. He is head of the budget committee and a member of the Finance Group. In this dual capacity, the budget official can make a self-interest calculation of costs and expenditures. He is in a position to know and can pass on to the budget committee the nature and substance of the planning work.

The planning group, whether a board, committee, or otherwise, should consist of the major officials of the receiver and the accounting officer. The planning group, by retaining authority for approval of funds, is in a position to relate financial with planning, without the burden of detail work.

This budget organization is recommended as one which will help the receiver to achieve the objectives resulting from planning, remove responsibility from the busy chief executive officer from the business to the working level, and allow the accounting officer to plan. It is desirable for control to remain with funds.

SUMMARY

The reader at this point may wonder if the step of actually making a budget has been omitted or avoided intentionally. If so, he arrived at the true conclusion of the budget student--that there is no set formula; no instructions which the formulator may follow step by step until he has a budget. No pattern exists which can be used over and over. Whether it be an agency, department, bureau or field activity, each budget must be tailor made. At best, one can only be cognizant of the factors involved, principles taught, and apply them to the individual environment.

The size of an activity only magnifies the principal budgeting problems common to all of how to distribute the funds equitably for the best return--Am I reserving enough today for tomorrow's requirements? Shall I exercise control by requiring individual justification and approval for certain functions?

In relating planning, statistics, and funds, the individuals should not be overlooked. In the final analysis a budget is no stronger than the relation and conflict of the individuals responsible for its execution.

Summary

The present is a book which is intended to be

step by step in the study of the subject. It is not intended to be a book of facts, but a book of principles. It is not intended to be a book of facts, but a book of principles. It is not intended to be a book of facts, but a book of principles.

The book is intended to be a book of principles. It is not intended to be a book of facts, but a book of principles. It is not intended to be a book of facts, but a book of principles. It is not intended to be a book of facts, but a book of principles.

The book is intended to be a book of principles. It is not intended to be a book of facts, but a book of principles. It is not intended to be a book of facts, but a book of principles. It is not intended to be a book of facts, but a book of principles.

BOOKS

- Bruere, Henry, and Lazarus, Arthur, Applied Budgeting. New York; McGraw Hill Book Co., 1946.
- Heckert, J. Brooks, Business Budgeting and Control, New York; Ronald Press Co., 1946.
- MacDonald, John H., Practical Budget Procedure, New York; Prentice-Hall, Inc., 1946.
- Sinclair, Prior, Budgeting, New York; The Ronald Press Co., 1934.

